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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN

GARY PIERCE

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BOB STUMP

2009 NOV -4 P 3: 52

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF)
UNS ELECTRIC, INC. FOR APPROVAL OF ITS)
RENEWABLE ENERGY STANDARD AND)
TARIFF IMPLEMENTATION PLAN.)

DOCKET NO. E-04204A-09-0347


NOTICE OF FILING
SUPPLEMENT TO
RENEWABLE ENERGY
IMPLEMENTATION PLAN

UNS Electric, Inc., ("UNSE") through undersigned counsel, hereby submits a
Supplement to enhance UNSE's 2010 Renewable Energy Standard & Tariff Implementation
Plan filed on July 2, 2009.

RESPECTFULLY SUBMITTED this 4th day of November 2009.

UNS ELECTRIC, INC.

By:


Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Arizona Corporation Commission

DOCKETED

NOV - 4 2009

DOCKETED BY



and

Phil Dion
UNS Electric, Inc.
One South Church Avenue, Suite 100
Tucson, Arizona 85701

1 Original and 13 copies of the foregoing
2 filed this 4th day of November 2009 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered/mailed
8 this 4th day of November 2009 to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Janice M. Alward, Esq.
16 Chief Counsel, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Steve Olea
21 Director, Utilities Division
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 By Mary Appolite
26
27

**Supplement to
UNS Electric Inc.'s
2010 Renewable Energy
Standard & Tariff
Implementation Plan**

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Executive Summary

In its initial 2010 Renewable Energy Standard and Tariff (“REST”) Implementation Plan (“the Original Plan”), UNS Electric, Inc. (“UNS Electric”) presented its strategy for meeting the requirements of the REST. UNS Electric stated in the Original Plan it would make a subsequent filing to update the Arizona Corporation Commission (“Commission”) on certain renewable purchase power and development agreements, seek Commission approval of those agreements, and also request necessary modifications to its Original Plan. Therefore, UNS Electric hereby submits for Commission approval its amended 2010 REST Implementation Plan (“the Amended Plan”). In the Amended Plan, UNS Electric reiterates its commitment to evaluating solar, wind, landfill gas and biomass projects in order to obtain a diverse renewable generation portfolio, and now requests expedited Commission approval for a combined wind and solar project.

In Section I of the Amended Plan, UNS Electric briefly summarizes the Original Plan as filed on July 2, 2009. In Sections II and III, UNS Electric discusses its strategy for supplementing the Original Plan through a Purchase Power Agreement (“PPA”) and Renewable Energy Credit (“REC”) purchases. Further, pursuant to A.A.C. R14-2-1804.G, UNS Electric requests that the Commission approve on an expedited basis a proposed renewable project PPA – the Western Wind Energy “Wind and Solar Project.” In the Original Plan, UNS Electric indicated that it would enter into renewable purchase power and development agreements later this year in order to meet the REST requirements. UNS Electric has entered into an agreement and now seeks Commission approval of that agreement. Attached hereto as Exhibit A, and incorporated herein, is the press release regarding the new UNS Electric renewable project. UNS Electric is not requesting any change to the REST budget as filed in the Original Plan due to entering into the renewable agreement. Section IV proposes modifications to the originally proposed REST customer tariff, and Sections V and VI address potential ways to enhance the REST process. This supplemental filing reflects UNS Electric’s long-term strategic integration of renewable energy, by measure of portfolio requirements, community and environmental benefits, competitiveness and scalability.

Supplement to UNS Electric's 2010 REST Implementation Plan

UNS Electric's commitment to the REST remains solid as is evidenced by the substantial time and resources it dedicates to the education of its customers regarding renewable energy and the planning, research and development of renewable energy generation in the State of Arizona. UNS Electric believes that the Amended Plan is a realistic strategy for complying with the REST requirements and provides the Commission an important opportunity to approve agreements that will foster the construction of renewable generation for the benefit of Arizona electric service customers.

I. The Original Plan.

Pursuant to the REST (Arizona Administrative Code ("A.A.C.") Rule 14-2-1801, *et seq.*), the annual percentage of UNS Electric's retail sales that must be obtained from renewable resources is 2.5% in 2010, 20% of which must come from distributed generation ("DG").

As stated in the Original Plan, UNS Electric will rely upon (i) PPAs with renewable developers, (ii) Purchases of Renewable Energy Credits ("RECs"), and (iii) DG funding and incentives to meet its obligations under the REST. The Amended Plan does not alter the implementation of these programs; rather, it enhances and supplements the Original Plan. UNS Electric incorporates herein, by reference, the Original Plan. Further, the Amended Plan is designed to achieve compliance with the REST requirements as cost effectively as possible.

II. Plan Supplement: PPAs with Third Party Renewable Energy Developers.

UNS Electric anticipated in its Original Plan that it would enter into PPAs with various renewable developers to meet a portion of its utility scale obligations under the REST. UNS Electric stated, in its Original Plan, that it would supplement the Original Plan and file with the Commission PPAs for approval.

UNS Electric conducted a renewable Request for Proposal ("RFP") in 2009 and was evaluating various projects when it filed its Original Plan.¹ After a thorough analysis, UNS Electric determined that the following project and the associated PPA are in compliance with its obligation under the REST. UNS Electric requests that pursuant to A.A.C. R14-2-1804.G, the Commission approve the PPAs described herein. Because time is of the essence, UNS Electric requests that the Commission expedite the approval process.

A. Western Wind Energy "Wind and Solar Project."

UNS Electric has agreed to enter into a twenty-year (20) agreement that will significantly enhance wind and solar generation in Mohave County. The project consists of a combined wind and solar facility that will generate between 7 to 11 MWs of wind power, and a minimum of 300kW of solar generation. This project will produce approximately 22,000 MWhs per year. The actual PPA is confidential and will be provided to the Commission Staff under a protective agreement.

III. Plan Supplement: REC Purchases.

UNS Electric will enter into other short-term REC purchases as necessary in the future depending upon the conditions that RECs are both cost-effective and will enable UNS Electric to meet its REST requirements.

IV. The 2010 REST Tariff: Additional Options.

The REST Tariff filed in the Original Plan would include a customer charge of \$0.004308/kWh with no customer cap. Since the filing its Original Plan, UNS Electric has reevaluated its proposed REST tariff. Instead of proposing one version of a 2010 REST Tariff, UNS Electric is proposing for Commission consideration two additional tariff options. Those two options are the (1) Modified Tariff and (2) the Proportional Tariff, which includes a customer cap. The Proportional Tariff is similar to UNS Electric's current REST Tariff, adjusted proportionally for the increase in the budget request.

¹ In September 2009, UNS Electric issued another renewable RFP.

The following chart compares the current budget with the new budget and the three proposed REST Tariffs. A copy of the proposed tariffs is attached hereto as Exhibit D, and incorporated herein by this reference.

REST Tariff Rate Options

	<u>Current Budget</u>	<u>New Budget</u>		
<u>Rate Class</u>	<u>Actual For Period Jul 08 - Jun 09</u>	<u>Originally Filed</u>	<u>Modified</u>	<u>Proportional</u>
Residential	\$2,220,693	\$3,506,147	\$4,060,253	\$4,999,852
Commercial	\$1,421,074	\$2,697,241	\$2,762,981	\$2,589,278
Industrial	\$42,803	\$1,852,069	\$1,232,133	\$464,143
Lighting (PSHL)	\$3,420	\$4,044	\$4,143	\$6,302
Total	\$ 3,688,989	\$8,059,502	\$8,059,511	\$8,059,575
<u>Rates/kWh</u>				
Residential	\$0.006000	\$0.004308	\$0.004989	\$0.008575
Commercial	\$0.006000	\$0.004308	\$0.004413	\$0.008575
Industrial	\$0.006000	\$0.004308	\$0.002866	\$0.008575
Lighting (PSHL)	\$0.006000	\$0.004308	\$0.004413	\$0.008575
<u>Caps</u>				
Residential	\$4.00	N/A	N/A	\$8.00
Commercial	\$60.00	N/A	N/A	\$120.00
Industrial	\$1,000.00	N/A	N/A	\$2,000.00
Lighting (PSHL)	\$60.00	N/A	N/A	\$120.00

V. Proposed Modifications to the REST Rules.

As part of the Original and Amended Plan, UNS Electric is requesting that certain provisions of the REST rules be modified by the Commission. The requested modifications are warranted based upon UNS Electric's past experience with the REST. The requested modifications will increase the likelihood that UNS Electric will meet the REST requirements in a manner that is in the public interest. The proposed modifications are set forth in detail in the Original Plan. By way of review, the proposed modifications are:

1. Regulatory Contract Approval;²
2. REST Funding Flexibility;
3. Cost Recovery of Net-Metering Losses;
4. Waivers/Variances; and
5. Research and Development.

VI. Request to Expedite and Streamline Renewable Contract Approval Process.

UNS Electric requests that the Commission expedite and streamline the approval process for contracts and PPAs pursuant to the REST Rules. It is recommended that such a process include the following criteria:

1. The PPA, contract, or investment was selected as part of a competitive procurement process;
2. The PPA, contract, or investment meets the REST rules and requirements;
3. The PPA, contract, or investment is demonstrated to be an appropriate part of the utility's energy portfolio,³ and
4. The cost of the PPA, contract, or investment is shown to be reasonable in comparison to comparable renewable resource alternatives.

VII. Conclusion.

With this supplemental filing, UNS Electric's 2010 Renewable Energy Implementation Plan presents an enhanced, diverse, creative and effective approach to meeting the requirements of the REST. UNS Electric believes that the Amended Plan is in the

² The Original Plan (at Page 7) contained a typographical error regarding regulatory contract approval. The sentence stated: "The REST does not expressly provide for UNS Electric and other utilities to obtain Commission approval of PPAs and other REST-related contracts." The sentence should have read: "The REST does expressly provide for UNS Electric and other utilities to obtain Commission approval of PPAs and other REST-related contracts as delineated in R14-2-1804.G of the REST Rules."

³ A PPA, contract, or investment that meets a resource requirement included in the Company's latest Integrated Resource Plan that was acknowledged or accepted by the Commission would be deemed to automatically meet this requirement.

public interest as it presents a realistic, cost-effective strategy for complying with the REST requirements and provides the Commission an important opportunity to approve agreements that will foster the construction of renewable generation for the benefit of Arizona electric service customers. UNS Electric requests that the Commission approve the 2010 Plan as supplemented, including approval of the specific project and contract set forth in the Supplement.

Exhibits to follow:

Exhibit A	Press Releases
Exhibit B	Western Wind PPA Contract (Confidential)
Exhibit C	Additional REST Tariff Options

EXHIBIT

"A"

UniSourceEnergy

SERVICES NEWS

FOR IMMEDIATE RELEASE

October 19, 2009

News Media Contact: Joe Salkowski (520) 884-3625

Investor Contact: Jo Smith, (520) 884-3650

UES TO BUY RENEWABLE POWER FROM WESTERN WIND ENERGY PROJECT NEAR KINGMAN

Kingman, Ariz. – UniSource Energy Services (UES) has agreed to purchase the output of a new wind farm and large solar array that Western Wind Energy will develop in the Kingman area by June 2011.

Western Wind Energy plans to develop between 7 and 11 megawatts (MW) of wind generating capacity as well as a solar array that can produce at least 300-kilowatt (kW) on about 800 acres of vacant land just east of the Nucor Steel plant southwest of Kingman. The new facilities are expected to produce enough energy to power more than 2,300 homes.

"We'll be tapping two of Mohave County's most abundant resources – the sun and the wind – to help us provide clean, renewable power to our customers," said Paul Bonavia, Chairman, President and Chief Executive Officer of UES and its parent company, UniSource Energy Corporation (NYSE: UNS). "We're excited to support the development of this new green energy resource in Arizona."

The integrated wind and solar project is believed to be the first of its kind in North America, said Jeff Ciachurski, Chief Executive Officer of Western Wind. Once complete, the installation will expand the company's generating capacity to a total of 45 MW through projects in Arizona and California.

"Western Wind is thrilled to take part in this historic project," Caichurski said. "It will allow us to utilize our expertise in wind and solar generation while helping UniSource Energy Services expand its renewable energy resources."

UES has agreed to purchase power from Western Wind Energy's facilities over a 20-year-term in a contract that will be submitted to the Arizona Corporation Commission (ACC) for review. If the contract is approved, it would help UES work toward renewable energy goals the ACC has established through Arizona's Renewable Energy Standard. The standard calls on utilities to increase their use of renewable energy each year until it represents 15 percent of their power in 2025.

UES is pursuing those goals through a combination of purchased power contracts and "distributed" resources like PV systems and solar water heaters installed at local homes and businesses. Through its popular SunShare and GreenWatts programs, UES is actively educating the community about renewable energy and offering options to customers who share the company's commitment to environmental stewardship.

UniSource Energy Services provides natural gas and electric service to more than 234,000 customers across Arizona. For more information, visit uesaz.com. For more information about its parent company, UniSource Energy, visit uns.com.

EXHIBIT

"B"

CONFIDENTIAL

EXHIBIT

"C"

"MODIFIED TARIFF"



Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be at the rate show below by classper kWh of metered monthly energy consumption on all kWh consumed per meter.

For Residential customers: \$0.004989 per kWh

For Commercial customers: \$0.004413 per kWh

For Industrial customers: \$0.002866 per kWh

Note: An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Renewable Energy Standard Tariff."

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President
District: Entire Electric Service Area

Tariff No.: REST-TS1
Effective: PENDING
Page No.: 1 of 1



Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery
(MODIFIED)

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be at the rate show below by class ~~\$0.0060~~ per kWh of metered monthly energy consumption on all kWh consumed per meter, ~~that month up to and including a monthly cap of:~~

For Residential customers:	<u>\$0.004989 per kWh</u> 4.00 per month
For Commercial customers:	<u>\$0.004413 per kWh</u> 60.00 per month
For Industrial customers:	<u>\$0.002866 per kWh</u> 1,000.00 per month

Note: An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Renewable Energy Standard Tariff."

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President
District: Entire Electric Service Area

Tariff No.: REST-TS1
Effective: ~~January 1, 2009~~ PENDING
Page No.: 1 of 1

"PROPORTIONAL TARIFF"



Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be \$0.008575 per kWh of metered monthly energy consumption on all kWh consumed per meter that month up to and including a monthly cap of:

For Residential customers:	\$8.00 per month
For Commercial customers:	\$120.00 per month
For Industrial customers:	\$2,000.00 per month

Note: An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Renewable Energy Standard Tariff."

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President
District: Entire Electric Service Area

Tariff No.: REST-TS1
Effective: PENDING
Page No.: 1 of 1



Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery
(PROPORTIONAL)

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be ~~\$0.0085750060~~ per kWh of metered monthly energy consumption on all kWh consumed per meter that month up to and including a monthly cap of:

For Residential customers:	\$84.00 per month
For Commercial customers:	\$12060.00 per month
For Industrial customers:	\$21,000.00 per month

Note: An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Renewable Energy Standard Tariff."

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President
District: Entire Electric Service Area

Tariff No.: REST-TS1
Effective: ~~January 1, 20~~PENDING09
Page No.: 1 of 1